

THE EMPLOYEE'S GUIDE TO BUYOUTS

Under Public Law 104-208

U.S. OFFICE OF PERSONNEL MANAGEMENT
WORKFORCE RESTRUCTURING OFFICE

December 2, 1996

**VOLUNTARY SEPARATION
INCENTIVE PAYMENTS UNDER
FISCAL YEAR 1997 OMNIBUS SPENDING LAW**

PUBLIC LAW 104-208

September 30, 1996

KEY FEATURES OF THIS INCENTIVE LAW

Buyouts are available under this law between October 1, 1996, and December 30, 1997. All separations for buyouts under this law must occur on or before December 30, 1997. The law covers all Executive branch agencies except:

those with buyout authority (under any other legislation) covering any part of FY 1997. However, the Department of Transportation is covered under this buyout law.

These agencies have or had specific authority to offer buyouts during a portion of FY 1997 and therefore, are not authorized to pay incentives under Public Law 104-208:

Department of Agriculture
Department of Defense
Agency for International Development
Central Intelligence Agency
National Aeronautics and Space Administration
Railroad Retirement Board and RRB Office of Inspector General
Smithsonian Institution

In addition, agencies with standing authority to offer incentives as part of pay and benefits provisions of their standing legislation are also excluded and may not use this law to offer incentives.

Before using this authority, any agency wishing to use buyouts must submit an Agency Strategic Plan outlining its planned use of buyouts to the House and Senate appropriations and government affairs committees. The plan must detail positions and functions to be eliminated, the number of buyouts to be paid, how the agency will operate without the eliminated positions, etc. The plan must be approved by the Office of Management and Budget before the agency forwards the plan to the Congress.

Under this law, the amount of the buyout is equal to the lesser of:
severance pay calculation;

\$25,000; or
an amount determined by the agency head.

An employee **is eligible** to receive a buyout if the employee:

- receives a buyout offer on or after October 1, 1996, and before December 31, 1997;
- accepts the buyout offer;
- voluntarily retires, retires under early retirement, or voluntarily resigns during the approved buyout window; or
- is not subject to any of the exclusions below.

An employees **is not eligible** to receive a buyout if the employee:

- is a reemployed annuitant;
- has a disability on the basis of which the employee is or would be eligible for a disability retirement;
- is serving under an appointment with a time limitation;
- has not been on-board with the agency without a break in service for 3 continuous years;
- is in receipt of a specific notice of involuntary separation for misconduct or unacceptable performance;
- is completing service in order to receive an approved "delayed buyout" under the Federal Workforce Restructuring Act of 1994;
- has received a buyout before but has not repaid it;
- is covered by statutory reemployment rights from another organization;
- has received a recruitment or relocation bonus within 24 months of separating to receive a buyout ;
- has received a retention bonus within 12 months of separating to receive a buyout.

The agency paying buyouts must reduce its staff by one full-time equivalent for each incentive it pays. That means that agencies which are growing in size may not be able to pay buyouts under this law

A buyout taker must repay the entire amount of the incentive to the agency which paid the buyout if the employee accepts employment with the Government of the United States or under a personal services contract within 5 years of separating with the incentive.

NOTE: THERE IS NO AUTHORITY TO WAIVE THE REPAYMENT REQUIREMENT IN THIS LAW AND REPAYMENT MUST BE MADE *IN FULL* PRIOR TO THE EMPLOYEE'S FIRST DAY OF WORK

FREQUENTLY ASKED "BUYOUT" QUESTIONS (AND ANSWERS)

1. "WHAT ARE VOLUNTARY SEPARATION INCENTIVE PAYMENTS? WHY ARE FEDERAL AGENCIES OFFERING THEM?"

The Administration is committed to reducing the size of the Federal workforce. On September 30, 1996, the President signed and enacted the Omnibus Spending Law, Public Law 104-208. Section 663 of this law allows agencies to offer buyouts of up to \$25,000 to eligible employees who voluntarily retire, retire under early retirement, or voluntarily resign during the approved buyout window which runs from October 1, 1996, through December 30, 1997. Buyouts under this law expire December 30, 1997.

By allowing employees to volunteer to leave the Government, agencies can minimize or avoid involuntary separations through the use of costly and disruptive reductions in force (RIFs). The cost of separating an employee by RIF is far greater than the cost to pay employees buyouts to voluntarily quit.

2. "WHEN WILL MY AGENCY OFFER BUYOUTS?"

The Omnibus Spending Law (Public Law 104-208) authorizes the heads of Executive Branch agencies to pay voluntary separation incentives (buyouts) to eligible employees who resign or retire before December 31, 1997 (on or before December 30, 1997). Under this current law, buyouts are not available to those Executive branch agencies who have existing buyout authority (under any other legislation) covering any part of FY 1997 (agencies with authority under the Department of Transportation Appropriations Act of 1997 may use P.L. 104-208 to pay buyouts). Since the agency is required to submit an Agency Strategic Plan outlining its planned use of buyouts to Congress, YOUR agency can tell you if, where, and when buyouts will be offered. You are encouraged to contact YOUR agency and inquire when buyouts will be offered. OPM will not always be able to answer this question for you.

3. "DO I MEET THE AGE AND SERVICE REQUIREMENTS TO BE ELIGIBLE FOR A BUYOUT?"

The law does not set any age requirements. At minimum, the employee must have worked for 3 continuous years in the agency offering incentives before taking a buyout. In addition, the law allows agencies to limit where they use incentives. Incentives can be targeted at positions according to locations, organizations, and/or occupations (including grade levels), but may not be targeted at individuals.

Many people believe that the "buyout" program is a RETIREMENT program. It is not. It is a program that allows Federal agencies to pay separation incentives (buyouts) to ANY employee who quits or takes regular or early retirement. If your agency elects to offer a buyout to you, you will be eligible provided you meet the minimum eligibility criteria explained in question 6 of this Guide. If you wish to retire with a buyout, you must meet the age and service requirements for optional retirement (see question 10) or voluntary early retirement (see question 30).

4. "MY AGENCY IS NOT PLANNING TO USE BUYOUTS. IS THIS FAIR? DON'T I HAVE A RIGHT TO A BUYOUT?"

Agencies ARE NOT REQUIRED to use or pay incentives. Incentives ARE NOT an employee right. The incentives are a management tool to help the agency reduce the workforce without having to run costly and disruptive RIFs.

5. "HOW MUCH WILL MY INCENTIVE BE? DOES EVERYONE GET \$25,000?"

The amount of each employee's incentive will vary. The basic formula for calculating your incentive is the same formula used for calculating severance pay. Remember, the MAXIMUM amount that any agency may pay for each buyout is \$25,000, (the amount you receive will be EVEN LOWER after the appropriate taxes, social security, medicare, etc. are deducted by your payroll office). This law allows the agency head to set a maximum amount LOWER than \$25,000 (for example, an agency could determine that its buyouts will be based on the lesser of the amount you would receive under severance pay or \$20,000). You will need to contact your servicing personnel office for an exact calculation of your incentive amount. We have included a worksheet in this packet to help you ESTIMATE your buyout. (OPM is not responsible for the accuracy of buyout calculations performed using the attached buyout Calculation Worksheet. The worksheet is for estimation only).

An incentive payment is the amount of severance pay you would get, \$25,000, or an amount determined by the agency head -- **whichever is less**. Severance pay is figured as if you would get it; you don't have to be eligible for severance pay. (Severance pay is normally only for people who separate involuntarily. Leaving Federal service with an incentive payment is a voluntary action.)

The amount of severance pay would be 1 week's basic pay for each of the first 10 years of your civilian service, plus 2 weeks' basic pay for each year over 10 years. An age adjustment allowance of 10% is added for each year you are over 40. (No credit is given for military service unless the service interrupted otherwise creditable civilian service and the employee returned to civilian service through the exercise of a legal restoration right.) Total severance pay may not exceed one year's pay at the rate the employee is receiving immediately before separation.

6. "WHAT MAKES AN EMPLOYEE ELIGIBLE FOR A BUYOUT?"

Your agency must offer buyouts before you have any entitlement to them. Additionally, you must work in a position covered under your agency's buyout offer. Each employee must satisfy the following criteria:

An employee **is eligible** to receive a buyout if the employee:

- receives a buyout offer on or after October 1, 1996, and before December 31, 1997;
- accepts the buyout offer;
- voluntarily retires, retires under early retirement, or voluntarily resigns during the approved buyout window; and
- is not subject to any of the exclusions listed below.

An employee **is not eligible** to receive a buyout if the employee:

- is a reemployed annuitant;
- has a disability on the basis of which the employee is or would be eligible for a disability retirement;
- is serving under an appointment with a time limitation;
- has not been on-board with the agency without a break in service for 3 continuous years;
- is in receipt of a specific notice of involuntary separation for misconduct or unacceptable performance;
- is completing service in order to receive an approved "delayed buyout" under the Federal Workforce Restructuring Act of 1994;
- has received a buyout before but has not repaid it;
- is covered by statutory reemployment rights from another organization;
- has received a recruitment or relocation bonus within 24 months of separating to receive a buyout ;
- has received a retention bonus within 12 months of separating to receive a buyout.

7. "ARE POSTAL SERVICE EMPLOYEES COVERED BY THIS LAW?"

No. This law excludes U.S. Postal Service and Postal Rate Commission employees. However, individuals who receive buyouts under this program and who take employment with the Postal Service and Postal Rate Commission for five years after the incentive is paid, must repay the entire amount of the buyout to the agency which paid the buyout.

8. "ARE D.C. GOVERNMENT WORKERS WHO WERE FEDERAL EMPLOYEES COVERED BY THIS LAW?"

No. This law authorizes certain Executive branch agencies to pay incentives to their employees. The DC Government is not a Federal Executive branch agency.

9. "ARE EMPLOYEES IN THE EXCEPTED SERVICE INCLUDED? FOREIGN SERVICE?"

Employees in both the Excepted Service and the Foreign Service can be eligible for buyouts under this law.

10. "DOES THE NEW LAW CHANGE ELIGIBILITY FOR RETIREMENT?"

No. If you are under FERS or CSRS, you can take regular optional retirement if you are 55 with at least 30 years of service; age 60 with 20 years of service; or age 62 with 5 years. If your agency offers early retirement, you must be at least 50 with 20 years of service or have 25 years of service at any age. An employee under FERS also is eligible for an immediate annuity if he/she has 10 years of service and has reached the minimum retirement age (55 if born before 1948, and gradually increasing to 57). An employee under CSRS must meet the 1-out-of-last-2 years coverage requirement and all employees must have at least 5 years of civilian service.

11. "WHAT DOES AN "APPOINTMENT WITHOUT TIME LIMITATION" MEAN?"

An employee on an appointment with a time limit works only until a specified date and then goes off the rolls. The employing agency sets the ending date when it hires the individual and/or when it extends the appointment. For example, temporary and term employees serve with a time limit, so they are not eligible for an incentive payment. Career and career-conditional employees and permanent employees in the excepted service have no limit so they are eligible.

12. "I RETIRED FROM THE MILITARY BUT AM NOW A CIVILIAN EMPLOYEE. CAN I APPLY FOR A SEPARATION INCENTIVE?"

Yes, if you are otherwise eligible (see question 6). The agency will figure the incentive payment only on the basis of your civilian service and any creditable military service which interrupted civilian service and which conveyed restoration rights.

13. "WHEN IS THE EARLIEST I CAN LEAVE WITH AN INCENTIVE PAYMENT? WHEN IS THE LATEST?"

Your agency can set windows for buyouts at any time through December 30, 1997. The agency may not delay your separation with an incentive payment past December 30, 1997. See your personnel office for details on when windows will be available for you to apply.

14. "IF I MEET ALL THE REQUIREMENTS, DO I AUTOMATICALLY GET AN INCENTIVE PAYMENT IF I LEAVE? WHAT IF MY AGENCY GETS MORE REQUESTS FOR INCENTIVE PAYMENTS THAN ARE NECESSARY TO MEET ITS REDUCED STAFFING TARGETS. HOW WILL IT DECIDE WHICH REQUESTS TO APPROVE?"

You are eligible to apply for an incentive payment if you meet all the requirements set by the law and your agency. Agencies may exclude certain jobs or units from the incentive payment offer. (See your agency for a list.) In handling applications, the agency must use a fair and objective method to determine the order in which applications will be approved (for example, order of separation date, order of receipt of completed applications, seniority, etc.).

15. "WHEN WILL I RECEIVE MY INCENTIVE PAYMENT? WILL IT BE ALL AT ONCE (LUMP SUM) OR MONTHLY? IS IT TAXABLE?"

The agency will send you the incentive payment as soon as possible after the date of your separation but cannot guarantee a specific date. First, the agency must resolve any leave errors, salary offsets, and employee debts to the Government. It is also subject to garnishment for alimony and child support. The incentive payment is taxable. You will receive it as a lump sum (less Federal income tax withholding, applicable State and local taxes, and FICA/Medicare taxes).

16. "DO I HAVE TO MAKE A COMMITMENT TO LEAVE IF I ACCEPT AN INCENTIVE PAYMENT?"

Your agency will ask you to sign an agreement saying that in exchange for an incentive payment you agree to resign or retire on a specific date. If employees change their minds, the agency might not be able to meet its downsizing goal. **DO NOT SIGN AN AGREEMENT TO SEPARATE FROM YOUR AGENCY UNLESS YOU ARE FULLY PREPARED TO LEAVE THAT AGENCY AND NOT RETURN TO THE GOVERNMENT FOR 5 YEARS.** In some cases, the agency can require an employee to follow through on his or her commitment to separate with a voluntary separation incentive payment.

In a 1994 Merit Systems Protection Board decision (Cook v. Department of Defense, SL-0752-93-0406-I-1, June 22, 1994), MSPB found that employees who offer to resign in return for a buyout must be allowed to withdraw their buyout agreement prior to separation unless the agency can demonstrate a valid reason for denying the request. The Board cited situations in which an agency had already made commitments to place another employee in the position, or had abolished the position, or would be forced to use RIF procedures if the employee changed his or her mind as examples of valid reasons for denying the request to withdraw the buyout agreement.

17. "WHAT DOES THE INCENTIVE PAYMENT AGREEMENT SAY?"

The agreement says that you agree to leave by a certain date in return for the incentive payment. It also says that if you accept an incentive payment and become reemployed with the Federal government, under any appointment authority for any duration, in either a temporary or permanent status or under a personal services contract, for 5 years following the effective date of your separation, you will be required to repay the full amount of the incentive payment prior to your first day of employment. Waivers are not allowed in any cases under this law.

18. "WHAT RIGHTS AND BENEFITS WOULD I BE GIVING UP TO TAKE AN INCENTIVE PAYMENT TO RETIRE OR RESIGN RATHER THAN WAITING TO BE SEPARATED IN A RIF?"

- Placement assistance;
- Selection priority under the Career Transition and Interagency Career Transition Assistance Programs (CTAP and ICTAP);
- Taking a job in Government within next 5 years without paying back the incentive payment;
- Full amount of severance pay (if eligible);
- Discontinued Service Retirement (if eligible).

19. "MAY I TAKE A DISCONTINUED SERVICE RETIREMENT, THE LUMP-SUM REFUND OF RETIREMENT CONTRIBUTIONS, AND AN INCENTIVE PAYMENT?"

No. Incentives are paid to employees who leave voluntarily. The lump-sum refund is available only to employees who were separated involuntarily no later than September 29, 1994, or who have a critical medical condition. Discontinued Service Retirement is based on an involuntary separation. Employees with a non-disability terminal illness cannot separate to receive a buyout.

20. "IF I LEAVE WITH AN INCENTIVE PAYMENT, CAN I TAKE A JOB IN ANOTHER FEDERAL AGENCY? AM I ELIGIBLE FOR PLACEMENT ASSISTANCE?"

If you have retired or resigned with an incentive payment under this law, you must repay the entire amount of the incentive if you take a job with the Federal Government within 5 years of your separation date with the incentive payment. This repayment requirement covers any kind of employment (for example, permanent, temporary, expert, consultant, reemployed annuitant) as well as personal services contracts. Repayment may not be waived.

You are not entitled to any placement assistance or selection priority because employees

volunteer to leave Federal service with an incentive payment. Placement assistance is for employees who are involuntarily separated.

21. "I TOOK A BUYOUT AND NOW WANT TO WORK FOR THE POSTAL SERVICE. CAN OPM APPROVE A WAIVER TO THE 5 YEAR REEMPLOYMENT PENALTY?"

No. OPM has no authority to approve waivers of the 5 year reemployment penalty under this law. Any reemployment or personal service contract with the Postal Service is subject to the 5-year reemployment penalty for employees who take a buyout, and there is no authority under current law for any waiver of the penalty.

22. "CAN THE AGENCY DELAY MY SEPARATION UNTIL AFTER THE "WINDOW" AND STILL GIVE ME AN INCENTIVE PAYMENT WHEN I LEAVE? CAN MY BUYOUT SEPARATION BE DELAYED LIKE AGENCIES WERE ABLE TO DO UNDER THE WORKFORCE RESTRUCTURING ACT?"

No. Under this law, buyouts must be paid under the general authority window which extends until December 30, 1997. All buyouts must be offered, accepted, approved, and the employee must separate on or before December 30, 1997. There is no provision to extend buyout separation dates past the December 30, 1997, closing date for this law.

23. "LEAVING FEDERAL SERVICE WITH THE INCENTIVE PAYMENT IS SUPPOSED TO BE VOLUNTARY. IF I'M ELIGIBLE BUT DON'T CHOOSE TO LEAVE, CAN MY AGENCY RETALIATE BY MOVING ME TO ANOTHER POSITION?"

Incentives are for voluntary separations. Coercion is prohibited. However, after the window closes, an agency may find it necessary to move some remaining employees to other positions. Also, later restructuring could mean the agency would have to reassign or even separate employees. To take these actions agencies would have to follow requirements of law, regulation, and applicable negotiated procedures.

24. "IF I DECLINE AN OFFER OF AN INCENTIVE, CAN I BE RIFed?"

Coercing an employee to take a buyout is prohibited. However, even if an agency uses buyouts, it is possible that buyouts will not result in a sufficient number of voluntary separations and the agency may need to carry out a RIF. A buyout offer does not protect the employee from RIF.

25. "CAN I ROLL MY BUYOUT OVER INTO AN INDIVIDUAL RETIREMENT ACCOUNT OR ANOTHER FORM OF TAX SHELTER?"

No. The buyout is considered fully taxable income (see question 14) and cannot be rolled over into retirement accounts.

26. "I HAVEN'T BEEN ENROLLED IN THE FEDERAL EMPLOYEES HEALTH BENEFITS PROGRAM FOR A FULL 5-YEAR PERIOD. IF I TAKE A BUYOUT, DO I LOSE MY HEALTH INSURANCE?"

Employees who retire with buyouts may be able to continue their health insurance into retirement even if they have not been enrolled for a full 5-year period prior to retirement. OPM has authority under the law to waive this requirement, if it determines that, due to exceptional circumstances, it would be against equity and good conscience not to allow an employee to continue their health insurance coverage.

In April 1994, OPM created a new automatic procedure which enables employees retiring with buyouts under the Federal Workforce Restructuring Act of 1994, and other similar legislation, to obtain waivers of the 5-year participation requirement for continuing their coverage under the Federal Employees Health Benefits Program as retirees.

WHO IS COVERED BY THE AUTOMATIC WAIVER:

- Employees who accept a buyout offer and retire with the incentive on or before December 30, 1997, or the expiration date of statutory buyout authority other than P.L. 104-208.
- Employees who accept a buyout offer on or before the expiration date of the statutory buyout authority but (if provided for in the buyout law) separate after completing additional service required by the agency to insure continued performance of agency mission ("delayed buyouts").
- Employees who accept an early retirement offer *without* a buyout and separate on or before December 30, 1997 (or the expiration date of statutory buyout authority other than P.L. 104-208).
- Employees in other agencies covered by other statutory buyout authority.

WHO IS NOT COVERED BY THE AUTOMATIC WAIVER:

- Employees who are not covered by FEHB on October 1, 1996, and continuously thereafter.

There is no waiver authority for life insurance coverage.

27. "IF I RESIGN, WHAT HAPPENS TO MY HEALTH INSURANCE?"

Temporary coverage continues for up to 31 days after the enrollment terminates, with conversion privileges. You would also be eligible for temporary continuation of coverage, which allows you to continue your coverage for up to 18 months. You must pay 102 percent of the premiums (the employee's share, plus the Government's share, plus 2 percent of the

total).

28. "HOW LONG UNTIL I GET MY BUYOUT CHECK?"

Generally, you should receive your buyout check within a couple of weeks of your final separation.

29. "CAN I TAKE A BUYOUT AND APPLY FOR DISABILITY RETIREMENT LATER?"

Employees may file for disability up to one year after separation. However, if you have received a buyout and are found to be eligible for disability retirement later, you are then responsible for repaying the entire amount of the buyout to the agency which paid the buyout to you. This is because the disability retirement is retroactive to the date of separation and the buyout law excludes employees having a disability on the basis of which such employee is or would be eligible for disability retirement.

VOLUNTARY EARLY RETIREMENT RELATED QUESTIONS

30. "WHO IS ELIGIBLE FOR EARLY RETIREMENT?"

OPM can authorize an agency to offer early retirement to eligible employees. The agency can exclude employees in certain jobs that are critical to the agency's operation. (See your agency for a list.) The agency may change this list before the early retirement window closes. Unless you are excluded because your job is on the above list, you are eligible for early retirement as follows:

If you are under the Civil Service Retirement System (CSRS), you must have served in a position covered by the CSRS for at least 1 year out of the 2 years immediately before retirement. If you are under FERS, this rule does not apply.

You must be at least 50 with 20 years of service or have 25 years of service at any age. At least 5 years must be civilian service, whether you are retiring under CSRS or FERS.

You must be serving under other than a temporary appointment;

You must have been on the agency's rolls at least 30 days before the agency requested authority from OPM and you served continuously since that date without a break in service.

31. "WHAT DOES THE EARLY RETIREMENT "WINDOW" MEAN?"

Each agency sets a window, or period of time, during which eligible employees can take early retirement. Normally, this coincides with the window during which buyouts will be offered. If you want to retire early, you would separate during this time period. You must turn in your application as soon as possible to make sure you can retire during the window.

32. "CAN ANYONE WHO IS ELIGIBLE AND WHO APPLIES FOR EARLY RETIREMENT BE ASSURED OF RETIRING EARLY?"

Just as it does with buyouts, the agency may set a limit on the number of early retirements it offers. This number should take care of all the employees who want to retire early and whose jobs are not essential to the agency's continued operations. If the agency receives more applications than it needs, the agency must use a fair objective method to make decisions (for example, order of separation date, order of receipt of completed applications, seniority, etc.).

33. "IF I TAKE EARLY RETIREMENT, IS MY ANNUITY REDUCED?"

CSRS employees who retire under the voluntary early retirement authority will have a reduction in their annuity of 2 percent per year for each year they are under age 55. (The reduction is 1/6 of 1 percent for each full month.) This is a permanent reduction in annuity.

Employees with only FERS service will not have their annuities reduced under voluntary early retirement. Employees with both CSRS and FERS service will have a reduction only for the CSRS portion of their service if under age 55.

Employees retiring under the MRA+10 provision before age 62 are subject to the age reduction on the entire annuity.

Special rules apply to the calculation of annuities of employees who have part-time service after 1986. The personnel office can give you more details.

34. "IF I TAKE EARLY RETIREMENT, WHAT HAPPENS TO MY UNUSED SICK LEAVE?"

CSRS employees will receive service credit for any unused sick leave in determining their annuity (but they must meet eligibility requirements for retirement before the sick leave is added).

FERS employees do not receive credit. Employees who were previously under CSRS but who transferred to FERS will receive credit for either the amount of sick leave at the time of the transfer to FERS, or at the time of retirement--whichever is less.

35. "WHERE CAN I GO TO GET AN ESTIMATE OF MY ANNUITY?"

Your agency retirement benefits counselor in your personnel office will be able to provide this estimate to you.

36. "WHAT FORMS DO I NEED TO APPLY FOR EARLY RETIREMENT WITH AN INCENTIVE PAYMENT AND WHERE DO I GET THEM?"

Your personnel office will provide these forms to you. You will sign: (1) an application for retirement (2) an incentive payment agreement.

BUYOUT COMPUTATION **WORKSHEETS**

The following are samples for use in ESTIMATING the amount of your buyout. The actual calculation formula is somewhat more complicated and technical. The samples are intended to allow an employee to figure the APPROXIMATE amount of the buyout they may receive. The Office of Personnel Management (OPM) is not responsible for the accuracy of the results that this worksheet may give you.

NOTE: The head of each agency can set a maximum buyout amount which is lower than \$25,000. In cases where the agency's buyouts will be capped at less than \$25,000, employees should adjust their buyout calculation accordingly to reflect the lower possible maximum amount set by the agency.

IF YOU WANT AN ACCURATE CALCULATION, YOU WILL HAVE TO CONTACT YOUR PERSONNEL OFFICE.

EXAMPLE OF BUYOUT ESTIMATION WORKSHEET

line 1.	Salary at time of separation (GS-14/10)	= <u>\$81,217</u>
line 2.	Weekly Rate (line 1 divided by 52)	= <u>\$1,561.87</u>
line 3.	Years of Service (see A and B below)	<u>18</u>
A. If your length of service is LESS THAN 10 years, enter your length of service on line 3a.		
B. If your length of service is MORE THAN 10 years:		
	1) enter your length of service:	<u>18</u>
	2) subtract 10 from your length of service:	<u>-10</u>
		<u>8</u>
	3) multiply the result, in this case, 8, by 2:	<u>16</u>
		<u>+10</u>
	4) add 10 to the amount listed in 3).	<u>26</u>
	5) enter this total on line 3a. This is the factor for your adjusted years of service and tells you APPROXIMATELY the number of weeks of severance pay you would be entitled to.	
line 3a.	Adjusted Years of Service	<u>26</u>
line 4.	Basic Severance Pay (multiply amount on line 2 by number on line 3a--Adjusted Years of Service)	= <u>\$40,608.50</u>
line 5.	Age Adjustment Factor (if your age is above 40, look your age up on the "AGE TABLE AND FACTORS" chart attached. Enter the "factor" number shown.)	
	Age = 52 years. Factor = <u>2.20</u> .	
Line 6. Estimated Severance Pay Amount		
	Multiply line 4 by line 5 factor (40,608.50 X 2.20)	<u>\$89,338.70</u>
	6a. If line 6 exceeds line 1, enter amount on line 1.	
	The estimated amount of severance pay will be	<u>\$81,217</u>
Line 7. Estimated Buyout Amount		
	If line 6a exceeds \$25,000 (or a lower maximum amount set by the agency head), enter \$25,000 (or the lower maximum amount)	
	OR	
	If line 6a does not exceed \$25,000 (or a lower maximum amount), but is more than line 1, enter amount on line 1.	

YOUR BUYOUT AMOUNT:

\$25,000

EXAMPLE OF BUYOUT ESTIMATION WORKSHEET

line 1. **Salary at time of separation** (GS- _____) = \$ _____

line 2. **Weekly Rate** (line 1 divided by 52) = \$ _____

line 3. **Years of Service** (see A and B below) _____

A. If your length of service is LESS THAN 10 years, enter your length of service on line 3a.

B. If your length of service is MORE THAN 10 years:

1) enter your length of service: _____

2) subtract 10 from your length of service: -10

3) multiply the result by 2: _____

+10

4) add 10 to the amount listed in 3). _____

5) enter this total on line 3a. This is the factor for your adjusted years of service and tells you APPROXIMATELY the number of weeks of severance pay you would be entitled to.

line 3a. **Adjusted Years of Service** _____

line 4. **Basic Severance Pay** (multiply amount on line 2 by number on line 3a--Adjusted Years of Service) = _____

line 5. **Age Adjustment Factor** (if your age is above 40, look your age up on the "AGE TABLE AND FACTORS" chart attached. Enter the "factor" number shown.)

Age = _____ years. Factor = _____.

Line 6. Estimated Severance Pay Amount

Multiply line 4 by line 5 factor \$_____

6a. If line 6 exceeds line 1, enter amount on line 1.

The estimated amount of severance pay will be \$_____

Line 7. Estimated Buyout Amount

If line 6a exceeds \$25,000 (or a lower maximum amount set by the agency head), enter \$25,000 (or the lower maximum amount)

OR

If line 6a does not exceed \$25,000 (or a lower maximum amount), but is more than line 1, enter amount on line 1.

YOUR ESTIMATED BUYOUT AMOUNT:

\$ -----

AGE TABLE AND FACTORS

Yrs.	Mos.	Factor	Yrs.	Mos.	Factor	Yrs.	Mos.	Factor
40	3-5	1.025	48	4-8	1.850	56	9-11	2.675
40	6-8	1.050	48	9-11	1.875	57	0-2	2.700
40	9-11	1.075	49	0-2	1.900	57	3-5	2.725
41	0-2	1.100	49	3-5	1.925	57	6-8	2.750
41	3-5	1.125	49	6-8	1.950	57	9-11	2.775
41	6-8	1.150	49	9-11	1.975	58	0-2	2.800
41	9-11	1.175	50	0-2	2.000	58	3-5	2.825
42	0-2	1.200	50	3-5	2.025	58	6-8	2.850
42	3-5	1.225	50	6-8	2.050	58	9-11	2.875
42	6-8	1.250	50	9-11	2.075	59	0-2	2.900
42	9-11	1.275	51	0-2	2.100	59	3-5	2.925
43	0-2	1.300	51	3-5	2.125	59	6-8	2.950
43	3-5	1.325	51	6-8	2.150	59	9-11	2.975
43	6-8	1.350	51	9-11	2.175	60	0-2	3.000
43	9-11	1.375	52	0-2	2.200	60	3-5	3.025
44	0-2	1.400	52	3-5	2.225	60	6-8	3.050
44	3-5	1.425	52	6-8	2.250	60	9-11	3.075
44	6-8	1.450	52	9-11	2.275	61	0-2	3.100
44	9-11	1.475	53	0-2	2.300	61	3-5	3.125
45	0-2	1.500	53	3-5	2.325	61	6-8	3.150
45	3-5	1.525	53	6-8	2.350	61	9-11	3.175
45	6-8	1.550	53	9-11	2.375	62	0-2	3.200
45	9-11	1.575	54	0-2	2.400	62	3-5	3.225
46	0-2	1.600	54	3-5	2.425	62	6-8	3.250
46	3-5	1.625	54	6-8	2.450	62	9-11	3.275
46	6-8	1.650	54	9-11	2.475	63	0-2	3.300
46	9-11	1.675	55	0-2	2.500	63	3-5	3.325
47	0-2	1.700	55	3-5	2.525	63	6-8	3.350
47	3-5	1.725	55	6-8	2.550	63	9-11	3.375
47	6-8	1.750	55	9-11	2.575	64	0-2	3.400
47	9-11	1.775	56	0-2	2.600	64	3-5	3.425
48	0-2	1.800	56	3-5	2.625	64	6-8	3.450
48	3-5	1.825	56	6-8	2.650	64	9-11	3.475

SPECIAL TAX SECTION

Many, if not most employees have questions regarding the impact a buyout has on their taxes. OPM has worked in cooperation with the Internal Revenue Service to provide the following general information on taxes.

It is critical to note that information provided here is general in nature and in no way is intended to apply to every employee's situation. Employees are urged to seek the assistance of a trained and experienced tax advisor or personal financial counselor on any matters related to the employee's income, finances, taxes, or retirement.

IS THE BUYOUT TAXABLE INCOME OR A SPECIAL ONE-TIME PAYMENT WITH DIFFERENT TAX CONSEQUENCES?

Buyouts are included as an item of "gross income" and are considered as fully taxable income under IRS tax laws. Section 451(a) of the Internal Revenue Code (the "Code") provides that the amount of any item of gross income must be included in the gross income for the taxable year in which it is received by the taxpayer. Thus, a buyout is taxable in the year of payment, regardless of the year in which the buyout is authorized, unless the employee is required to repay the buyout in the same tax year. The buyout is not a special one-time payment with different tax consequences.

WHAT HAPPENS TO THE TAXES I PAID IF I HAVE TO REPAY THE ENTIRE AMOUNT OF THE BUYOUT?

The employee is entitled to recover taxes withheld or paid based on the receipt of a buyout.

HOW DO I GET MY TAXES BACK IF I AM ENTITLED TO THEM AFTER REPAYING THE BUYOUT? DO I FILE AN AMENDED TAX RETURN?

Recovering taxes paid on a "repaid buyout" depends on when repayment occurs. Below are two examples. In either case, the employee is not entitled to file an amended return for that tax year because of the concept of "annual accounting"

"I got a buyout in February 1997 and returned to work in June 1997."

If an employee receives a buyout and is required to repay the buyout in the SAME tax year, the buyout is not included in the employee's wages for federal income tax withholding purposes. It is not reflected on Form W-2 as "wages, tips, other compensation," as "social security wages," or as "Medicare wages." Any income tax and FICA employee tax withheld on the buyout should be repaid or credited to the employee by the agency paying the buyout.

"I got a buyout in February 1997 and was hired by another agency in April 1998."

In this case, the employee is required by law to repay the entire amount of the buyout to the agency that paid it and repayment must be made prior to beginning the second job. The employee may take a loss deduction (under section 165 of the Code) for the amount repaid in the 1998 tax year. The employee MAY NOT file an amended tax return for 1997 because the employee received the income in 1997 and was required to pay taxes on it then as earned wages.

"HOW MUCH WILL MY BUYOUT BE AFTER TAXES?"

TAX DEDUCTIONS FROM BUYOUT PAYMENTS

Voluntary separation incentive payments are considered supplemental wages and are treated similarly to cash awards, bonuses, and allowances for withholding purposes. Most agencies automatically withhold the following taxes from supplemental payments:

All Employees

Federal Income Tax	Most agencies withhold a flat 28% of the buyout payment for Federal income tax. In some cases, this may be higher than your normal withholding rate and you may want to reexamine your tax planning for withholding purposes.
State Income Tax (when applicable)	Agencies make deductions based on a specified rate for supplemental payments or the applicable standard rate.
Local Income Tax (when applicable)	Agencies make deductions based on a specified rate for supplemental payments or the applicable standard rate.

CSRS Employees

Medicare	1.45%
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FERS & CSRS Offset Employees

OASDI	(Old Age Survivor Disability Insurance) 6.2% subject to annual tax limitations
Medicare	1.45%

OTHER DEDUCTIONS

Where applicable, agencies may also make deductions for certain types of indebtedness. Following are some circumstances in which deductions for debts may be made:

- * The balance of any commercial garnishment plus supplemental fees or court-ordered interest related to the garnishment.
- * The balance of any child support/alimony arrearage when included in the court order.
- * The balance of any debt owed to the agency.

FOR FURTHER INFORMATION

Many of the deductions taken from buyout payments by servicing payroll offices vary depending on agency regulations. More detailed information on how your servicing payroll office processes incentive payments may be obtained from your servicing personnel office.

EXAMPLES

CSRS EMPLOYEE

Buyout Amount		\$25,000.00
Payroll Deductions		
Federal Tax (28%)	\$7,000.00	
State Tax (4%)	1,000.00	
(when applicable)		
Local Tax (1%)	250.00	
(when applicable)		
Medicare (1.45%)	362.50	
Total Deductions	8,612.50	
Payment After Deductions		\$16,387.50

FERS AND CSRS OFFSET EMPLOYEES

Buyout Amount		\$25,000.00
Payroll Deductions		
Federal Tax (28%)	\$ 7,000.00	
State Tax (4%)	1,000.00	
(when applicable)		
Local Tax (1%)	250.00	
(when applicable)		
Medicare (1.45%)	362.50	
OASDI (6.2%)	1,550.00	
Total Deductions	\$10,162.50	
Payment After Deductions		\$14,837.50

PLANNING FOR BUYOUTS

PREPARE NOW!! Plan for a possible buyout offer and be prepared to act quickly if you get one. With the focus of the nation on downsizing, consolidating, and eliminating entire functions now performed by the Federal government, buyouts may be a major consideration for employees as new incentives are authorized. There is never a bad time to begin planning for the future and often employees do not have large amounts of time to consider an offer.

Because of proposed budget cuts and agency reductions, employees who have not yet received a buyout offer should begin careful planning in the event that a future buyout offer is made to them. Over 112,500 employees have already left Federal agencies since with buyouts since the Department of Defense began using incentives in 1993.

Because of the fundamental changes in an employee's life that voluntary separations present, and because employees may not have large amounts of time to make decisions when offers are made, **EMPLOYEES SHOULD TAKE STEPS NOW TO BE PREPARED FOR ANY OFFERS THAT MAY BE MADE.** OPM's Workforce Restructuring Office has available copies of "The Employee's Guide to Buyouts Under Public Law 104-208" which gives employees an overview of how buyouts work and answers many commonly asked questions on buyouts. Workforce Restructuring Office will mail you a FREE copy simple by dialing "The Restructuring Hotline" on (202) 606-2425. Callers should select option 4 to order "The Employee's Guide to Buyouts Under Public Law 104-208" or any of a variety of other "Employee's Guides" offered by OPM. Copies can be downloaded from OPM's electronic bulletin boards (OPM MAINSTREET (202) 606-4800 or the Federal Job Opportunities Board at (912) 757-3100).

Downsizing information is also available on the World Wide Web at a new site called "Planning Your Future -- A Federal Employee's Survival Guide." You can access this site on the Internet at <http://safety.net.doleta.gov>.

**THE FOLLOWING STEPS ARE RECOMMENDED FOR ANYONE
CONSIDERING A BUYOUT:**

**☞ REVIEW YOUR PERSONNEL FILE TO ENSURE THAT ALL PERIODS OF
FEDERAL SERVICE ARE DOCUMENTED.**

Having all of this documented is critical because your annuity and your buyout amount will be computed based on this information.

**☞ OBTAIN AN ESTIMATE OF YOUR ANNUITY FROM YOUR RETIREMENT
COUNSELOR.**

Your servicing personnel office has retirement counselors available to assist you. They can give you an estimate of your annuity and explain your benefits to you. Be careful to determine what impact retirement or separation will have on your insurance coverage. Carefully consider whether you can live on a reduced income.

☞ OBTAIN AN ESTIMATE OF YOUR BUYOUT AMOUNT.

Calculation sheets are available in "The (revised) Employees Guide to Buyouts" (see above for information on how to obtain a copy). The calculation sheets are useful for getting an ESTIMATE of the buyout amount. Also, it is important to remember that buyouts are fully taxable and that the take-home (net) amount of the buyout will be significantly less than the gross amount of the buyout.

**☞ IF YOU SERVED IN THE MILITARY AFTER 1956, SEND FOR YOUR PAY
RECORDS.**

It is probably in your best interest to pay a retirement contribution to cover any post-1956 military service. You must do this before you retire. Start the process by requesting your military pay records from the military finance center for your branch of service. Your personnel office can tell you where to apply. Begin the process immediately--it is not unusual for the processing of these changes to take as much as 8 weeks.

☞ DISCUSS YOUR PLANS WITH YOUR SPOUSE AND FAMILY.

A buyout represents a major change in your way of life. Your spouse and family should be involved in this life-changing decision. Retirement means more free time at home, and often, lower earnings. Discuss these issues with your family and allow them to take an active role in your planning. The choice to leave your job will affect them as much as it affects you.

CONSIDER MEETING WITH A PERSONAL FINANCIAL ADVISOR.

Because retirement often means smaller paychecks, it may be useful to speak with a personal advisor or accountant. These individuals can help you figure out what tax advantages may be open to you, how much your income will be, what debts you can reduce, and what your standard of living would be like with your annuity.

LOOK TO THE FUTURE.

Remember that the buyout law requires employees returning to work for the government of the United States within a period of 5 years to repay the entire amount of the buyout prior to the first day of work. The employee must repay the **ENTIRE AMOUNT OF THE BUYOUT** (not the amount you received (net), but the gross amount). Buyout takers are urged to not make plans that involve returning to work with the government either by appointment or a personal services contract unless you are prepared to repay the entire amount of the buyout prior to the first day of work. There are no waivers or exceptions to this repayment requirement.

Immediate and thorough preparation and planning NOW will make your decision much easier when a buyout offer is made.